COMMONWEALTH OF THE BAHAMAS

2011/12
BUDGET COMMUNICATION

Presented to the Honourable House of Assembly
by
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Minister of Finance

on
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2011/12 BUDGET COMMUNICATION

It is my honour to present the 2011/12 Budget Communication.

SETTING THE CONTEXT FOR THE BUDGET

Budget-making is one of the most significant responsibilities of a national Government. Through the annual Budget the Government sets out its vision in respect of the economic and social priorities that it will pursue. In that regard, the preparation of the annual Budget requires, in the face of limited and precious public financial resources, the making of difficult decisions, choices and trade-offs that are attuned to the economic and social needs of the country. Through the Budget, the Government translates its vision of the future into concrete policies and initiatives that will bring about the societal objectives and outcomes that are of paramount importance to citizens. Successful budget-making is the hallmark of effective Government. It is not a task for indecision, complacency or procrastination.

My Government has, over the course of its three terms in Office, been consistent in its pursuit of effective Budgets that meet the needs of Bahamian society. Three years ago, as the first waves of what was to become the Great Global Recession began reaching our shores, we decisively chose to begin using some of the fiscal headroom established through prudent economic and fiscal policies. We stated explicitly that we would allow the Government Debt to GDP ratio to move upwards from the range of 30% to 35% that had judiciously and prudently been achieved. This permitted us to implement measures to provide relief and assistance to Bahamians, as well as significantly increase capital expenditure from the previous year to support employment and further bolster our commitment to modernizing and expanding our public infrastructure. We implemented key legislation to stimulate and support the revitalization of the city of Nassau and embarked on an ambitious and massive infrastructural work programme that will give New Providence the infrastructure of a modern, progressive city and make it hugely attractive and more environmentally sustainable. We will also ensure that it is a truly world-class destination. And we have introduced a legislative framework to encourage investment in our least developed islands.

In the subsequent period, a combined worldwide economic and financial meltdown emerged on a scale unprecedented since the 1930s. As a small open economy, we experienced a severe downturn in our economy with reduced tourism, foreign direct investment, government revenues, employment and living standards. In the circumstances, in the 2009/10 Budget Communication the Government chose a balanced medium-term strategy designed to:

- maintain employment and living standards to the extent possible;
- continue our infrastructure investment thrust which also supports employment; and

- target a restoration of the fiscal headroom as and when conditions permit.

Key policy initiatives were the introduction of unemployment and prescription drug benefits, commencement of the rationalization and streamlining of business licence processes and the launching of a National Training and Retraining Programme for recently laid-off workers.

Last year, with the early signs of global economic recovery beginning to emerge, we made a commitment to a renewed focus on redressing public finances, containing the debt-to-GDP ratio immediately and getting that ratio to more prudent and desirable levels over the medium term. The state of public finances and the burden of government debt are of fundamental importance to the attainment of stronger and sustainable economic growth and higher standards of living through buoyant investment and lower borrowing costs.

The 2010/11 Budget contained the most significant structural fiscal action of any Budget in recent years as a means of immediately containing the debt-to-GDP ratio. Central to the overriding Budget theme was a call for sacrifice, service and reform. To that end, among other measures, we froze Recurrent Expenditure at its prior-year level, a reduction of almost 2 per cent in real terms and cut allocations to Ministries, Departments and Agencies by 2.6 per cent. Public service employment and promotions were for the most part frozen, increments were in most cases suspended and the responsibility allowances of senior public officials were halved. The salaries and duty allowances of the Prime Minister, Ministers and Parliamentarians were also significantly reduced.

A recurring theme across every Budget has been a steadfast commitment to fiscal prudence, modernizing and improving public services, strengthening transparency and governance, streamlining the domestic business environment and enhancing the efficiency and effectiveness of revenue administration and collection. We have pursued those core objectives through a variety of policies and initiatives.

I have chosen to take a few moments at the beginning of this year's Budget Communication to underline the point that I made at the outset. Budgets are about choices and responsibility. As I trust I have clearly shown, my Government has in the annual Budget exercises effectively fulfilled its responsibilities to make the difficult policy decisions and choices required in the face of an ever-evolving environment. We do so again in the 2011/12 Budget Communication.

A NATIONAL JOB PROMOTION STRATEGY

It is clear that, despite the ongoing and strengthening indications that economic recovery is underway, the prospects for a robust and much-desired rebound in employment remain muted in the near term. This is a typical cyclical economic development that we see not only at home but also in the major economies around the globe. New full-time jobs tend to be created once the recovery in economic activity is on a sound and self-sustaining footing.

The Government is therefore of the view that, in this environment, a core priority for this year's National Budget must be action to enhance the skills and job readiness of unemployed persons and encourage, in the short term, job creation by the private sector.

A National Job Readiness and Training Programme

To that end, the Government is creating a National Job Readiness and Training Programme to which $25 million is being allocated in this year's Budget. This programme will comprise three major components, namely:

- a Service and Productivity Improvement Thrust;
- a Retraining Thrust; and
- an Apprenticeship Thrust.

The first of these, the Service and Productivity Improvement Thrust, will have a prime focus on the youth of The Bahamas and will seek to enhance job readiness by addressing idleness, poor work attitudes and the lack of literacy and tradable skills. This Thrust will target some 1000 participants for a period of up to fifty-two weeks, and will include both recent High School graduates and those who have been out of school for more than a year.

The second component of our Job Programme is a National Retraining Thrust which will focus on skills development for mature persons. Again some 1000 participants will be targeted for up to fifty-two weeks, with the goal of either upgrading skills for employment in existing fields or acquiring new skills for movement to new fields of employment.

A National Apprenticeship Thrust will be the third prong of the Strategy and its focus will be on the acquisition of technical skills, both basic and advanced. A further 1000 participants will benefit from this initiative for periods of up to one year.

The National Job Readiness and Training Programme will be developed in conjunction with both public and private sector partners and will target areas of clearly identified needs and where shortages of workers may exist. These may, among others, include teachers' aides and after-school and playground monitors, neighbourhood watch workers, medical technicians and health assistants, elderly care providers, information technology technicians and data entry personnel, as well as construction and landscaping technicians.

A Work Placement and Employment Exposure Programme

We also seek to encourage private sector employers to hire unemployed persons as a means of providing those individuals an opportunity to gain work experience, as well as on-the-job training and skills that will enhance their employability. We will provide a monetary incentive for such employment by the private sector in the form of a direct wage subsidy.

Every employer who engages a new employee referred to him by the Ministry of Labour and Social Development will be entitled to a wage subsidy of a percentage of that employee's wage up to $210 per week for a period of up to fifty-two weeks.

In order to qualify for this incentive, employers will need to provide evidence that new employment has been created, through proof of payment of NIB contributions as certified in writing by the National Insurance Board.

In addition, I am announcing a one–year extension of the Business Licence tax holiday, for the year 2012, for small businesses with turnover up to $250,000. That one-year exemption will also be extended to medium size businesses with turnover up to $500,000.

<u>A Jump Start Programme</u>

As encouraging job creation is a major thrust of this Budget, I also wish to announce that $1.5 million is being allocated to the Ministry of Finance to provide grant funding for those persons seeking to start their own small businesses similar to what is provided for in the now successfully launched Youth Self-Starter Programme.

This programme will provide up to $7,500 for persons over 30 years of age to launch a business on the same premise and basic procedures as the Self-Starter Programme. The recipients will be processed by a Committee to be appointed by the Ministry of

Finance, including representation from the Chambers of Commerce, BAIC, the College of The Bahamas Business Programme and the wider business community.

The programme will give scores of Bahamians an opportunity to become self-employed as well as, in the process of starting their own businesses, become employers of others. As these will be grant funds, the recipients will be able to start their business without the initial burden of debt servicing, thereby improving the chances of their micro-business succeeding.

I note that we will especially be seeking to ensure that the funds are used to finance start-ups that cater to creating attractions or amenities to service our tourism sector, particularly the cruise sector where we need to increase domestic spend.

A Public Service Employment and Training Initiative

The Government will also launch a recruitment campaign to engage in the Public Service, through a competitive process, 100 college and university graduates, as well as 50 High School graduates with BGCSEs and 50 with only BJCs. During the first year of their engagement, these new recruits will be given exposure, practical work experience and training across the Public Service, after which they will be placed in a Ministry or Department.

It will be desirable to target the initiative in such a way that one-half of these recruits can be groomed to rise, over time, within the ranks of the Public Service to occupy the most senior positions in Government.

SUPPORTING THE DEVELOPMENT OF SMALL AND MEDIUM SIZE ENTERPRISES

Small and medium size enterprises (SME) are dynamic engines of growth in modern economies and generate a significant share of new job opportunities. The Government thus wishes to further enhance the domestic business environment to facilitate and encourage entrepreneurship and the development of the Family Islands. A vital step toward that end is a reform of the institutional framework for SME support.

With the assistance of the IDB, a draft SME Development Act is being prepared that will establish the basis for effectively providing financial and non-financial services to SMEs. A new SME Development Agency, to be established through the Act, will administer a set of financial and non-financial instruments according to the diverse needs of SMEs and in regard to their sector and geographic location. The agency will also administer and coordinate projects for specific purposes such as for individual Family Island development, energy efficiency programmes, clusters and value chains, improving the capacity of local suppliers to respond to the needs of large FDI projects, and monetary grants for micro enterprises.

The expected results are business climate reforms that are conducive to simplifying and making more efficient procedures for business development and growth. Through the new institutional framework, these reforms include improved information, designing an agency that will increase SME access to credit and provide a one-stop shop, and enhanced market access for SMEs in the Family Islands. As for the latter, it should have a direct impact on total revenues for Family Island SMEs in the tourism value chain.

MEDICAL CARE IMPROVEMENT ACT

There is no question that the prosperity of a nation is vitally dependent on the health of its citizens. To that end, it is equally important that a country's medical care facilities and equipment are at the highest standard that is reasonably attainable. Availability of health care at a high quality is critical.

The Government is of the view that, as the nation with the third highest standard of living in the Western Hemisphere after only the U.S. and Canada, we can and we must do significantly better on this score. Accordingly, we are introducing a new Medical Care Improvement Act (MCIA) whose primary objective will be to encourage the development and improvement of medical care in this country.

As is currently done under the Hotels Encouragement Act, the Government will enter into agreements with entrepreneurs in the medical care field who desire to invest in new medical care facilities, such as hospitals and multi-specialty medical facilities, or in major refurbishments of such facilities. Provision will be made in these agreements for the duty-free entry of building materials and medical equipment.

The MCIA will empower the Minister of Health to make the necessary Regulations under the Act to ensure that the objectives of the Act are achieved as intended and in as effective and efficient a manner as possible.

As in the Hotels Encouragement Act, one critical requirement prior to entry into any agreement under the MCIA will be that the Minister of Finance be satisfied that the agreement is in the best interest of The Bahamas. In this regard, public access to the facilities and equipment will be essential.

As a complementary measure, we will grant a five-year customs duty exemption to the Public Hospitals Authority and the

National Insurance Board for the purchase of building materials and medical equipment in relation to medical care facilities.

BETTER PUBLIC SERVICE THROUGH E-GOVERNMENT

The Government will continue the e-Government Initiative in 2011/2012, as another thrust in the strategy to modernize the Public Service and improve services to citizens, residents and visitors. When the initial components are launched in July of this year, there will be:

- a new Department of Information Technology;
- a centralized infrastructure for delivery of government services online;
- a revamped government website with a new look and feel, a service catalogue, and new and repackaged content; and
- seven online government services including:
    - application for new business licences;
    - the payment of annual business licence taxes;
    - the payment of annual real property tax;

- the payment of fix penalty notices;
- renewal of drivers' licences;
- vendor payment inquiries; and
- service-wide customer service.

The prime responsibility of the Department of Information Technology (DIT) will be driving The Bahamas' e-Government agenda. It will also be charged with controlling the information technology budget; managing the Data Centre and information technology assets; ensuring disaster recovery and ICT business continuity in government; providing ICT training and capacity development for public servants; and providing ICT support and solutions for government service delivery with a "whole-of-government" approach.

No government agency will be left behind as we harness the value of our information technology dollars, and focus our efforts in making government the catalyst for ICT development in The Bahamas. We will move in one direction, as one unified force, to improve the Public Service and bring efficiency and transparency to government processes. Therefore, the Government has already appointed Chief Information Officers in all ministries and departments to be change agents who will take the lead on ICT projects and business process reengineering; ensure compliance to ICT polices; participate in e-Government Master Planning; and collaborate and share their experiences.

The services that will become available online in the 2011/2012 fiscal year include:

- application for new work permits as well as renewals;
- payment of customs duties;
- payment of police character certificates;
- payment of passport applications; and
- payment of post office box rentals.

The framework for delivering these services online and shaping the governance structure for e-government is based on the Singapore Model. The Government of Singapore is assisting the Ministry of Finance in managing the July 2011 implementation.

We have chosen Singapore because of its noted success in transforming its economy from one that is labour intensive to one that is technology and knowledge based and because of its track record in delivering government services online. Singapore has also been ranked the easiest place in the world to do business for the last five years.

Therefore, with this initiative, we are aiming to both transform the Public Service by improving efficiency and productivity and improve our ranking in respect of the ease of doing business, thereby promoting entrepreneurship and making our country more attractive to foreign investors.

The DIT will also implement an Information Technology Cadet Program. The program will have at least ten students and will utilize technology to deliver the content to students in New Providence, and one or two selected family islands. Students will be tutored in Mathematics and English, taught to write computer programs, and exposed to information technology functions by working on various tasks in the DIT data centre.

ENHANCING GOVERNMENT REVENUE

Improving Revenue Administration

The Government is modernizing its approach to tax administration with the introduction of a consolidated tax administration structure. A new Tax Administration Division will begin operations within the Ministry of Finance on July 1, 2011 and it will have responsibility for the collection of specific taxes, namely business licence taxes, real property taxes, stamp taxes, hotel occupancy tax and casino taxes. The mission of the new Division will be to ensure compliance with tax legislation by providing efficient and effective services and by conducting appropriate enforcement activity. The tax administration will:

- ensure the right amount of tax is collected in a timely manner;
- minimize the cost of collection for the Government and the taxpayer;
- provide high quality service to the taxpayer;
- provide the Government with accurate statistical data; and

- recruit, train, motivate and retain high quality staff.

The creation of TAD within the Ministry of Finance is phase one of a more ambitious programme of revenue administration reform. In the medium to longer term, it would be desirable to establish a more autonomous tax administration organization efficiently structured along functional lines and based on international best practice.

Assessing Options for Revenue Reform

Reforming and modernizing tax administration will also be crucial in terms of positioning us to deal effectively with any future changes in tax regime that may flow from a much-needed and overdue reassessment of the revenue structure of the Government. It is no secret that the present Government revenue structure, with its very narrow tax base, is both inefficient and, in many respects, inequitable. It is also deficient in terms of providing a more stable and buoyant stream of Government revenues. Discussions of tax reform will need to figure more prominently in the public discourse in the period ahead.

ENHANCING THE RESILIENCY OF THE FINANCIAL SERVICES SECTOR

The financial services sector is a key component of the domestic economy. As a means of enhancing the resiliency and stability of that sector, the Central Bank implemented a comprehensive risk assessment framework for the supervision of banks and trust companies as well as the continued development of the Bank's stress testing model.

As well, in ongoing efforts to ensure the appropriateness of the legislative framework governing its activities, major changes to the Central Bank of The Bahamas Act were introduced which expanded the Bank's mandate to ensure financial stability and overseeing the development of sound and efficient national payment and securities settlement systems.

Amendments were also made to the Banks and Trust Companies Act which allow the Bank to, among others:

- specify the form and manner in which financial statements should be published;
- Expand its sanctioning and enforcement powers to empower the Bank to appoint a receiver-manager of a licensee and to appoint a temporary manager of any licensee; and
- commence prosecutions for summary offences committed under the Act over a longer period of time.

During the year, the Bank also advanced a series of draft legislative and regulatory initiatives relative to strengthening the oversight of payments systems and instruments. Further to these developments, the Bank, under the auspices of the Caribbean Regional Technical Assistance Centre was integrated into the International Finance Corporation's regional initiative to provide technical assistance for the establishment of a credit bureau. The credit bureau project for The Bahamas is expected to be completed over the next 18 to 24 months.

THE GLOBAL ECONOMY

The pace of global economic activity continues to strengthen as improved confidence and financial conditions have begun to encourage investment and consumption. The latest World Economic Outlook published by the International Monetary Fund (IMF) in April concludes that the risks of a double-dip recession have diminished and that the global economic recovery is poised to gather further momentum.

The world economy is expected to expand by 4.5 per cent in 2011 and 2012. The pace of recovery is, however, highly uneven across the globe. Our dominant trading partner, the U.S., is forecast by the IMF to experience economic growth on the order of 2.8 per cent this year, the same rate as in 2010. Growth in 2012 is poised to firm slightly to the area of 3 per cent in 2012 as ongoing strengthening of private sector demand replaces the supportive impact of expansionary fiscal policy.

Economic recovery in Europe continues at a modest though gradual pace, with the IMF projecting that real growth rates in the Euro area will remain below 2 per cent this year and next. Growth in the U.K in 2011, at 1.7 per cent, will be dampened by the fiscal consolidation measures that have been implemented, though a rebound to 2.3 per cent is anticipated in 2012.

Finally, Asia is forecast to continue growing at a rapid pace in 2011 and 2012. China's rate of growth is seen to remain buoyant at around 9.5 per cent this year and next, on the heels of 10.3 per cent growth in 2010. India's economy is forecast to continue to expand robustly, at 8.2 per cent and 7.8 per cent this year and next, respectively.

THE BAHAMIAN ECONOMY

As for the Bahamian economy, I would note that an extensive report on recent performance, both in the aggregate and for the major sectors, is presented in Annex A of this Communication. As such, I will only touch on a few of the salient features of recent economic developments.

Before turning to that, however, I would like to signal that, as it does every year, the Department of Statistics recently released its latest estimates for the Gross Domestic Product, including preliminary estimates for 2010. The Department explained in its accompanying Press Release that, after a number of years of development with the initial assistance of a statistical expert from Canada, it had been successful in fully implementing the so-called Supply and Use tables. These are an integral and most important part of the United Nations System of National Accounts.

Of particular significance for the new estimates of GDP, the Department was able to incorporate new and expanded data sets, such as the extended Tourist Expenditure Survey, the Household Expenditure Survey and the Economic Census. These allowed for more accurate GDP estimates as they removed the need for excessive estimation techniques.

As a result, the new estimates of GDP in The Bahamas are consistently and, in many years, significantly higher than the previous estimates. For some years, the level GDP in current dollars is now estimated to have been over $1 billion higher than previously estimated. That amounts in some cases, as in 2002, to an upward revision of over 22 per cent.

As will be seen in the fiscal numbers presented in this Communication, the revisions to the GDP estimates produce important changes in the key fiscal ratios that are critical to the development of fiscal policy. Most notably, it is the case that the Government debt-to-GDP ratio is lower than was the case at the time of the last Budget Communication. For example, the debt ratio in 2008/09 is now shown at 38.4 per cent as compared to 42 per cent in the last Communication.

The introduction of the new, higher GDP estimates produces decidedly more sobering news in respect of the yield of the Government's revenue system. The ratio of Recurrent Revenue to GDP is now significantly lower than previously estimated, putting us even further away from the much-desired objective of 20 per cent of GDP.

With the new GDP numbers, the Bahamian economy is now estimated to have grown by 1 per cent in real terms in 2010, following consecutive declines of 1.3 per cent and 5.4 per cent in 2008 and 2009, respectively.

The tourism sector continued to strengthen last year as arrivals built a 13 per cent gain on top of the previous year's 5.7 per cent growth, to reach 5.2 million visitors. That growth was most pronounced in the sea segment with air arrivals expanding by a more modest 3.4 percent, though that was a marked improvement from the 10 per cent contraction in 2009.

The performance of the construction sector remained lackluster in 2010. Disbursements for new construction and repair shrank by 37 per cent, with the residential and commercial segments contracting by 38 per cent and 29 per cent, respectively.

Inflation, as measured by the consumer price index, remained subdued at 1.4 per cent over the twelve months to January of this year. However, the most significant items in the price index, namely housing, water, gas, electricity and other fuels experienced an increase of 2.8 per cent. In contrast, prices for food and non-alcoholic beverages fell by 1.1 per cent. Energy and electricity costs were sharply higher; gas prices rose by 13 per cent while the fuel surcharge on electricity spiked by 42 per cent. These upward trends in gas and electricity prices continued in the first quarter of 2011.

The current account of the balance of payments registered a modest improvement last year, primarily on the basis of higher tourist service receipts. The trade balance worsened somewhat as a result of a marginal increase in non-oil imports and a more significant rise in fuel imports driven by higher world oil prices.

On the monetary front, last year witnessed strong growth in both liquidity and external reserves. Banks' surplus liquid assets, in particular, expanded by over 63 per cent. External reserves grew by over 5 per cent to stand at $860.4 million at the end of December 2010. The growth of both liquid assets and reserves continued through the first months of this year. Reserves at the end of April stood at over $1.1 billion.

Quality indicators in respect of bank credit deteriorated in 2010 as private sector loan arrears grew by over 5 per cent. As a result, the ratio of arrears to total loans rose by 4 points to over 18 per cent. Non-performing loans rose by 1 point to represent over 10 per cent of total loans. In part reflecting improvements in the economy, credit quality indicators improved somewhat during the first quarter of this year.

The prospective evolution of the Bahamian economy will naturally be shaped by the global and U.S. outlook that I have already summarized. Modest economic expansion in the U.S., in conjunction with gradual reductions in the rate of unemployment, will provide some measure of stimulus to the growth of the domestic economy.

A more significant boost to activity and employment will come from the very buoyant level of investment that is underway, in both the public and private sectors. Key projects include the continuation of the LPIA development, the startup of the Baha Mar project, the Port at Arawak Cay, Albany, Kerzner International, BORCO, Statoil, other stalled projects and a number of small tourism investments.

We continue to project real growth of the domestic economy on the order of 2 per cent in 2011. That is somewhat higher than the forecast that is presented in the IMF's World Economic Outlook online database that was last updated in April 2011. I would note in this regard that the latter forecast has not yet been revised to fully account for the recent pickup in domestic investment activity to which I have alluded. The rate of growth is expected to firm further in 2012, to somewhat in excess of 2.5 per cent.

FISCAL PERFORMANCE 2010/11

As has been the case since the onset of the recession, the performance of Recurrent Revenue in 2010/11 has been disappointing. We now expect Recurrent Revenue to come in at

$1,460 million this year, down slightly from the forecast of $1,492 million presented in last year's Budget Communication.

As I noted in the Mid-Year Budget Statement in February, Revenues this year have been bolstered by some $120.6 million in so-called one-off items. I would stress that such items are deemed to be one-off in nature in that they are essentially unexpected and cannot reasonably be built into our annual forecast. However, it is also clear from experience that one-offs are not one-time items on the revenue ledger as they tend to recur year after year. Last year, for instance, they amounted to some $84 million. To a large extent, one-offs relate to large, "lumpy" transactions which simply cannot be foreseen with any degree of precision in advance. They do nonetheless make a bona fide contribution to Government revenue.

Recurrent Expenditure in 2010/11 is now expected at some $1,644 million, up $90 million from the Budget forecast. This rise includes increased expenditure of $39 million, being the Government's contribution to the BTC Feeder Trust in respect of pension benefit entitlements of employees of BTC and $25 million for the new Job Readiness and Training Programme.

As a result of these developments, the Recurrent Deficit this year is now expected to be $184 million, up $122 million from the Budget forecast but down by $75 million from its level in 2009/10.

Capital Revenue in 2010/11 has been significantly bolstered, to the tune of $210 million, by the proceeds of the sale of 51 per cent of the Government's holdings in BTC. This is contributing to a significant decline in the GFS Deficit in 2010/11 to $130 million, down by $97 million from the $227 million estimate presented in last year's Budget. The Deficit will thus amount to 1.7 per cent of GDP as compared to the projected level of 3 per cent.

Government Debt at the end of June is now estimated at $3.5 billion, or 44.9 per cent of GDP, a marked improvement from the expected level of 49.2 per cent.

FISCAL POLICY 2011/12

Looking ahead, it is evident that the Government continues to face an ongoing challenging fiscal environment. Our attempt to secure a meaningful increase in the ratio of Recurrent Revenue to GDP, to some extent more closely aligned with international norms, has been disappointing. We must redouble our efforts on this score in both the near term and over time if the Government is to have access to the level of fiscal resources needed for the administration of a modern and progressive Government that can meet the economic and social needs of its citizens.

We are projecting Recurrent Revenue in 2011/12 to come in at 18.5 per cent of GDP. That will amount to some $1,514 million.

Capital Revenue is expected to make a further contribution again next year, to the tune of $132 million.

This will include proceeds from the sale of another 9 per cent of the Government's holdings in BTC, 10 per cent of the Arawak Cay Port, the Wallace-Whitfield Building and participating debt notes of the Nassau Airport Development Company held by the Government.

Confronted with these fiscal realties, the Government judges that, again in the upcoming fiscal year, it must continue to exercise prudence on the expenditure front. As such, Recurrent Expenditure is being held to $1,680 million, up by $36 million from its level in 2010/11.

The GFS Deficit in 2011/12 is projected at $248 million, or 3.0 per cent of GDP. That is down significantly from the 5.5 per cent of GDP recorded in 2009/10 and the 4.5 per cent in 2008/09, in the midst of the global recession.

Government Debt is forecast to stand at $3.779 billion, or 46.2 per cent of GDP, at the end of the upcoming fiscal year.

RECURRENT EXPENDITURE

In last year's Budget Communication, the Government introduced a number of targeted expenditure reductions to secure the attainment of its fiscal objectives. Consistent with the theme of service and sacrifice, the Government reduced the allowances of senior Public Officials by 50 per cent, it announced that increments for Public Officers would not, for the most part, be paid in 2010/11 and it froze public service promotions in most cases.

With all Public Officers having made that significant contribution over the course of the past fiscal year, I am announcing that, in the coming fiscal year, the Government will re-institute the full payment of allowances.

I am also announcing that Public Officers at the maximum of their pay scales will receive a one-time lump-sum payment equivalent to one increment. In addition, as of FY 2011/12, two additional increments will be added to every pay scale. Every Public Officer will be entitled to an increment in pay during the next fiscal year, and a further increment during the subsequent fiscal year. Finally, the freeze on promotions is being lifted.

I am announcing that the Government is increasing the uniform allowance for the Royal Bahamas Police Force, the Royal Bahamas Defence Force and Prison officers. We are also allocating $1.5 million for the reimbursement of tuition fees for Public Officers.

A number of reductions that were announced in the 2010/11 Budget Communication are now being reversed, specifically in respect of:

- contributions and grants to charitable organizations and institutions;

- subsidies to private schools;
- mail boat subsidies; and
- the allocation to the College of The Bahamas.

The detailed allocations by Ministry, Department and Agency are set out in the accompanying documentation. Clearly, if we are to achieve our overriding fiscal objectives, all will need to manage public resources judiciously and prudently within the very stringent limits that have been established.

CAPITAL EXPENDITURE

Capital Expenditures on priority public infrastructure projects that are critical to strengthening our economic prospects continue to be a Government priority. Accordingly, $280 million is being allocated to capital Expenditure which, at 3.4 per cent of GDP, is up from 3.0 per cent this year.

REVENUE MEASURES

Again this year, the Government is introducing a number of measures to further rationalize tariff and excise rates, encourage energy efficiency and provide relief to consumers, including the following:

- the various rates on fresh fruits are being reduced to “Free”;
- the rates on turkey, ham and beef sandwich meat are being reduced from 40 and 45 per cent to “Free”;
- the rate on chicken is being reduced from 40 per cent to 30 per cent;
- the rate on yogurt is being reduced from 35 per cent to 10 per cent;
- the 40 per cent rate on detergents is being reduced to “Free” to align all rates on detergents;
- the rate on electric cars is being reduced from 85 per cent to 25 per cent to align it with the rate on hybrids;

- the rates on biodegradable styrofoam boxes, plates, cups and cutlery are being reduced from between 30 and 50 per cent to 10 per cent as an environmental protection measure;
- to promote energy efficiency, the rate on insulated concrete forms and insulated steel wall panels is being reduced from 45 per cent to 25 per cent and the rate on spray-on thermal foam insulation is being reduced form 45 per cent to 10 per cent;
- to that same end, the rate on solar air conditioners is being reduced from 45 per cent to 10 per cent;
- the rate on kidney machines and parts is being reduced from 10 per cent to "free".

In other measures, the current $7 air ticket tax that is applicable on tickets sold in The Bahamas for travel outside The Bahamas is being eliminated and will be merged into the existing $20 air departure tax. Effective as of October 1, 2011, the combined air departure tax will be levied at a rate of $25 per ticket.

The Stamp Act is being amended to clarify that the exemption for the transfer of mortgages between lending institutions applies to all such transfers and not only those held by first-time homeowners.

To encourage the payment of arrears in respect of commercial property taxes, a 100 per cent waiver of the applicable surcharge will be offered for a period of six months.

The Fourth Schedule of the Tariff Act is being amended to provide an exemption for the purchase of classroom supplies by teachers upon the supply of a confirmation letter from their school.

Finally, the Tariff Act is being amended to provide for the introduction of the specific tariff rates agreed under the Economic Partnership Agreement with the European Union.

CONCLUDING REMARKS

In conclusion, I would simply reiterate that my Government has demonstrated a proven and consistent track record of meeting head-on the priority policy challenges confronting the Bahamian economy and people. Despite a very difficult global environment, we have assessed options and made choices in respect of proactive actions to support economic activity and provide assistance to those most in need.

While the environment has improved and looks promising, we clearly continue to face economic and social challenges. Through the targeted actions in this Budget, my Government has again shown that it is up to the task of delivering good and effective Government in a timely and decisive fashion.

ANNEX A

ECONOMIC BACKGROUND

ECONOMIC BACKGROUND[1]

INTRODUCTION

The Bahamian economy is estimated to have grown by 1 per cent in real terms in 2010, following consecutive declines of 1.3 per cent and 5.4 per cent in 2008 and 2009, respectively. The improvement was predominately linked to ongoing recovery trends in tourism output, as both domestic demand and foreign investment related construction activity remained soft.

The following sections highlight the main international economic developments in 2010, followed by an analysis of domestic conditions and a forecast of the economy in 2011.

INTERNATIONAL ECONOMIC DEVELOPMENTS

The International Monetary Fund (IMF), in its April, 2011 World Economic Outlook Report (WEO), estimated that world output expanded by 5.0 per cent in 2010, a turnaround from

[1] The Economic Background is based on material provided by the Central Bank of The Bahamas. The Bahamas GDP data for 2010 is based on the preliminary estimates of the Department of Statistics.

the 0.5 per cent contraction in 2009. Although the growth momentum slowed in the second half of the year, improved performance in industrial production and trade, combined with higher levels of business investment and consumption, underpinned the overall recovery.

During 2010, major central banks maintained their accommodative monetary policy stance, to complement the expansionary fiscal policy measures implemented by Governments in support of the ongoing rebound in financial markets and economic activity. To achieve their monetary policy objectives, central banks either left unchanged or lowered key interest rates, and commenced or expanded asset purchase facilities to encourage investment and strengthen market liquidity.

In the United States, real GDP rebounded by 2.9 per cent in 2010, from a contraction of 2.6 per cent in 2009, owing to growth in exports, non-residential fixed investment, personal consumption expenditure and private inventory investment. In this context, the number of unemployed persons fell by 0.7 million over the year, lowering the unemployment rate to 9.4 per cent at end-2010 from 9.9 per cent in 2009. Average consumer prices increased at a slower pace of 1.5 per cent in 2010, relative to 2.7 per cent in 2009, amid lower accretions to energy costs. Reflective of the uncertainty over the sustainability of the United States' recovery, the dollar depreciated against the Japanese Yen (12.7 per cent), Swiss Franc (9.8 per cent), Canadian dollar (5.2 per cent) and Chinese Yuan (3.5 per cent). Conversely, the dollar rose against the euro and the British Pound by 7.0 per cent and 3.6 per cent, respectively, amid heightened investor concerns about the spread of the sovereign debt crisis across Europe. Buoyed by increased demand for imports, the current account deficit deteriorated to 3.4 per cent of GDP in 2010 from 2.7 per cent in 2009.

Other major economies posted significant gains in economic activity during the year. Following a decline of 4.1 per cent in 2009, real GDP in the euro area recovered by 1.7 per cent in

2010, supported by increased household consumption and enhanced export sector performance. In the United Kingdom, expansions in the services, construction and manufacturing sectors contributed to a 1.3 per cent rise in real output, a turnaround from a 4.9 per cent decrease in 2009. The Japanese economy—bolstered primarily by strong export growth—expanded by 3.9 per cent in 2010, which contrasted with a 6.3 per cent contraction in 2009. In China, real GDP growth accelerated by 1.1 percentage points to 10.3 per cent, owing to heightened industrial production and exports.

Commodity prices maintained a steady uptrend throughout 2010, exceeding 2009 levels for most of the year. Reflective of an increase in global demand and the depreciation in the United States dollar, the price of oil escalated to $93.49 per barrel by end-December 2010, from $77.85 per barrel at end-December 2009. The average annual per barrel price of oil was higher by 26.5 per cent at $80.32 per barrel. Higher investor demand for less risky assets also elevated the cost of precious metals during the year. Gold prices rose by 29.5 per cent to $1,420.78 per troy ounce, and silver by 83.2 per cent to $30.92 per troy ounce.

Based on the IMF's projections on the economic outlook, global output is on track to expand by 4.4 per cent in 2011 and by 4.5 per cent in 2012—despite heightened downside risks. The IMF noted, however, that the recovery continued at an uneven pace, with weaker "jobless" growth in developed economies contrasting with robust economic expansions in emerging and developing countries. Tight credit conditions and elevated unemployment levels are expected to constrain the growth momentum in advanced economies, to an estimated 2.4 per cent in 2011, from 3.0 per cent in 2010. Real output growth in the United States is set to stabilize at 2.8 per cent in 2011, as improving private sector demand is projected to offset a ratcheting down of fiscal stimulus measures. Another constraining factor is the upward trajectory in oil prices, which are expected to counteract the boost in economic activity derived from stronger net exports and accommodative monetary policy. The consensus view is that the European sovereign debt crisis will, to some extent, hinder the growth in output in the euro area. As such, real GDP is forecasted to advance by 1.6 per cent in 2011, vis-à-vis a 1.7 per cent gain in 2009. The United Kingdom's economy real growth rate is projected to improve slightly to 1.7 per cent from 1.3 per cent, even though reduced fiscal spending is likely to dampen domestic demand. In Japan, output growth was revised downwards to an estimated 1.4 per cent in 2011 from 3.9 per cent in 2010, due partially to lost output caused by the devastating earthquake. Although strong growth in emerging and developing economies will continue to be fuelled by internal demand and buoyant export markets, downside risks have intensified due to perceived overheating pressures. Consequently, emerging and developing economies are poised to expand at a slower rate of 6.5 per cent in 2011, down from 7.3 per cent in 2010. Within this grouping, real GDP growth for China and

India will slacken to 9.6 per cent and 8.2 per cent, from 10.3 per cent and 10.4 per cent, respectively, in 2010.

In terms of commodities, the IMF anticipates an upward movement in prices, owing to the strengthening in demand. Oil prices are projected to rise, on average, by 35.6 per cent in 2011, while the index of non-fuel primary commodities is forecasted to appreciate by 25.1 per cent, exerting persistent upward pressure on consumer prices worldwide.

DOMESTIC ECONOMIC DEVELOPMENTS

Following a 5.4 per cent contraction in 2009, the domestic economy appeared to stabilize in 2010, amid the ongoing recovery in the global economy. Buoyed by improvements in the key United States market and a number of joint private/public sector incentive programmes, output on the dominant tourism sector posted further gains. In contrast, indications are that construction activity remained relatively subdued, as both foreign-led and domestic private sector investments stayed below pre-recession levels. These conditions, alongside a continuation of anemic consumer demand conditions, offered little opportunities for any notable improvement in the unemployment rate. Despite the rise in international oil and food prices, domestic price trends remained mild, with average consumer price inflation easing from the 2008 peak. On the monetary front, both liquidity and external reserves expanded in 2010, owing to a combination of receipts from the foreign exchange earnings sector and a number of one-time transactions. In the fiscal sector, accretions to the National Debt slowed considerably in 2010, due to comparatively reduced financing requirements of the Government and lower net borrowings by public corporations. On the external side, the estimated current account deficit narrowed, in the context of gains in tourism receipts and generally weak private sector demand. Meanwhile, the surplus on the capital and financial account decreased marginally, as a reduction in other "miscellaneous" investments overshadowed an upturn in direct capital investments.

TOURISM

Tourism activity strengthened in 2010, with total visitor arrivals growing by 13.0 per cent to 5.2 million, extending the 5.7 per cent gain of 2009. The outcome was due to a 16.5 per cent increase in sea passengers, following a 13.1 per cent hike in 2009, and a 3.4 per cent rebound in air arrivals from a year-earlier 10.1 per cent decline.

Preliminary data on stopovers showed a boost in the number of visitors from Canada (11.4 per cent), Latin America (10.8 per cent) and the main US market (2.5 per cent). However, arrivals from Europe and the Caribbean declined by 1.0 per cent and 1.8 per cent, respectively.

With regard to the major markets, visitors to New Providence rose by 9.2 per cent, reflecting a 12.5 per cent gain in sea tourists and a 3.3 per cent upturn in the air segment. Similarly, traffic to the Family Islands grew by 11.3 per cent, due to increases in both the sea (11.1 per cent) and air (13.2 per cent) categories.

Visitors to Grand Bahama also rose by 34.5 per cent, as the 46.6 per cent surge in sea arrivals outweighed the 9.2 per cent decline in the air segment.

Preliminary data on hotel sector performance showed room revenue expanding by 3.7 per cent to $423.4 million in 2010, based on a 2.0 per cent improvement in average room occupancy to 51.5 per cent and a 0.7 per cent increase in average daily room rates to $199.04.

However, a sample of New Providence and Paradise Island hotels for the first quarter of 2011 revealed some softening in earnings. Average room revenues fell by 4.1 per cent, owing to a falloff in overall occupancy by 0.7 of a percentage point to 66.3 per cent, and the average daily room rate was slightly lower at $252.71 from $260.60 in 2010.

CONSTRUCTION

Construction output remained relatively subdued in 2010, with continued support from mild foreign investment led and other private domestic investments, alongside a number of public sector projects.

Based on data from domestic banks, insurance companies and the Bahamas Mortgage Corporation, total disbursements for new construction and building repairs contracted by 37.4 per cent to $170.4 million. The residential segment, which accounts for 88.0 per cent of the total, fell by 38.3 per cent to $150.0 million, and the commercial component, at 11.9 per cent, was lower by 29.3 per cent at $20.4 million. In addition, mortgage commitments—which provide an indication of future construction activity—declined by 10.5 per cent to 1,085 in number, and by 29.1 per cent in value to $130.5 million.

Regarding lending conditions, average interest rates were relatively stable, as the average residential mortgage rate steadied at 8.4 per cent, while the counterpart commercial rate edged up by one basis point to 8.9 per cent.

INFLATION

Preliminary consumer price inflation data for the 12 months to January 2011—as measured by the revised Consumer Price Index—showed the average rate slowing by 0.3 of a percentage point to 1.4 per cent. Developments reflected decreases in food & non-alcoholic beverages as well as furnishing, household equipment & and routine maintenance items prices, by 1.1 per cent and 0.1 per cent, vis-à-vis increases of 4.2 per cent and 2.9 per cent a year earlier. Accretions to average costs also slowed for alcohol, tobacco & narcotics (2.0 per cent), clothing & footwear (0.5 per cent), recreation & culture (0.6 per cent), education (1.6 per cent), restaurant & hotels (1.2 per cent) and "miscellaneous" goods & services (1.5 per cent). In contrast, average costs for housing, water, gas, electricity & other fuels—the most heavily weighted items in the Index—increased by 2.8 per cent, vis-á-vis a 0.3 per cent contraction in 2009. Average price gains quickened for medical care & health (2.8 per cent), transport (2.8 per cent), and the decline in average communication costs moderated by 1.5 percentage points to 0.3 per cent.

Increased international energy costs underpinned gains in both average gasoline and diesel prices, by 13.4 per cent and 22.2 per cent to $4.34 and $3.70 per gallon, respectively. In addition, the cost of electricity rose over the year, with the average fuel surcharge higher by 42.4 per cent at 14.27 cents per kilowatt hour (kWh), compared to an average 10.02 cents per kilowatt hour (kWh) a year earlier. These firming trends continued into the first quarter of 2011, with the average cost of gasoline advancing by 12.2 per cent to $4.78 per gallon and diesel, by 21.6 per cent to $4.39 per gallon. Similarly, the average fuel surcharge surged by 87.2 per cent to 19.99 cents per kilowatt hour (kWh).

FOREIGN INVESTMENT AND THE BALANCE OF PAYMENTS

Preliminary balance of payments data for 2010 indicated a 2.6 per cent improvement in the current account deficit to $869.8

million, owing primarily to an upturn in tourism-related services receipts, which offset the marginal increase in merchandise imports. The trade deficit advanced by 2.5 per cent to $1,871.0 million, relative to an 18.7 per cent reduction in 2009. Underpinning this outturn was a 1.0 per cent uptick in non-oil merchandise imports to $1,403.2 million, accompanied by a 4.2 per cent rise in fuel imports to $695.8 million, in line with the rise in global oil prices during the latter portion of the year. On the services account, the surplus widened by an estimated 14.4 per cent to $1,224.2 million, as travel related inflows firmed by 8.4 per cent to $1,831.3 million, while net transportation outflows contracted by 16.6 per cent to $223.0 million. Further, Government's net payment for services was halved to $43.1 million. Weak foreign investment activity supported a decline in the net payment for other "miscellaneous" and construction-related services, of 3.0 per cent to $306.2 million and 24.2 per cent to $15.7 million, respectively. In addition, the net outlay for insurance services was higher by 78.5 per cent at $165.2 million, while net receipts associated with local expenses of offshore companies, along with royalty and license fee payments, moderated by 14.0 per cent to $156.6 million and 39.5 per cent to $10.6 million, respectively.

The surplus on the capital and financial account declined marginally, by 0.2 per cent to $1,111.9 million, owing to a 0.6 per cent fall-off in the surplus on the financial account to $1,115.5 million, which overshadowed the 50.3 per cent contraction in the capital account deficit to $3.6 million. In particular, other "miscellaneous" investments fell by 43.1 per cent to $270.2 million, as net inflows from the public sector receded sharply to $131.3 million from $503.5 million in 2009, when Government's US$300.0 million external bond issue and increased SDR allocations boosted external reserves. In contrast, domestic banks' short-term transactions were reversed, to a net inflow of $23.6 million from a net outflow of $21.9 million (207.8 per cent) in 2009, while other "miscellaneous" private sector inflows—mainly loan financing—of $115.4 million were recorded, in comparison to a year-earlier net repayment of $7.2 million. Buoyed by increased capital investment-related inflows from an international bank's capitalisation of a local subsidiary, net direct investment inflows firmed by 31.1 per cent to $870.6 million.

MONETARY & CREDIT DEVELOPMENTS

During 2010, monetary developments were marked by robust growth in liquidity and external reserves, due mainly to net foreign currency receipts related to direct capital investments and the moderating influence of weak consumer demand. Liquidity, as measured by banks' excess reserves, advanced by 44.1 per cent to $330.6 million during the year, to represent 5.5 per cent of total Bahamian dollar liabilities vis-à-vis 4.0 per cent in 2009. Similarly, surplus liquid assets—a broader measure of bank liquidity—strengthened by 63.6 per cent to $808.4 million at end-2010.

For the first quarter of 2011, monetary indicators featured a continuation of the build-up in liquidity levels, bolstered by Government's receipt of stamp tax proceeds related to the sale of a refinery company and other business transactions. Reflecting these developments, accretions to excess reserves and excess liquid assets accelerated to $103.9 million and $94.5 million, in comparison to gains of $21.7 million and $20.8 million a year earlier.

Total domestic credit grew by 5.1 per cent in 2010, led by robust growth in claims on the public sector. By currency composition, accretions to Bahamian dollar credit accelerated by 5.0 per cent ($364.5 million), from the prior year's 2.5 per cent increase, while foreign currency claims rebounded by 5.7 per cent, following a contraction of 5.4 per cent in 2009.

A sectoral disaggregation revealed that private sector credit fell by $23.2 million (0.4 per cent), in contrast to a $59.1 million (0.9 per cent) gain in 2009. Conversely, growth in net credit to Government firmed to $389.6 million (38.1 per cent) from $99.9 million (10.8 per cent), and was mainly in the form of banks' increased holdings of Government bonds. The banking system's claims on the public sector also rebounded, by $41.9 million (10.0 per cent) vis-à-vis a $28.4 million (6.3 per cent) contraction a year earlier.

These trends continued in the first quarter of 2011, as weak demand conditions resulted in domestic credit declining by $138.1 million, a turnaround from a $96.0 million expansion in the corresponding period last year, as both Bahamian dollar and foreign currency credit registered net repayments. Disaggregated by sector, private sector credit contracted by $76.1 million, extending the previous year's $30.8 million downturn, while the public corporations registered a net repayment of $7.7 million, a reversal from an $18.7 million increase in 2010. Buoyed by the utilization of proceeds from a number of extra-ordinary transactions to reduce its outstanding liabilities, net claims on the Government fell by $54.1 million vis-à-vis a $108.2 million increase in the prior period.

During 2010, external reserves grew by $44.4 million (5.4 per cent) to $860.4 million, although significantly below the external borrowing and SDR-led strong $253.0 million (44.9 per cent) accumulation in 2009. The outturn benefitted from foreign exchange inflows associated with real sector activities and receipts from a number of one-time transactions, which negated increased outflows for profit repatriations, equipment and fuel. On average, external reserve balances were $100.0 million higher than in 2009 at $819.9 million; and at end-2010 the stock was equivalent to an estimated 21.7 weeks of non-oil merchandise imports, up from 20.8 weeks at end-2009.

Similarly, over the first four months of 2011, external reserves expanded by $275.6 million to $1,136.04 million at end-April, compared to a $38.6 million increase in 2010. The outturn was buoyed by Government's receipt of stamp tax proceeds related business transactions, as well as $210.0 million in foreign funds from the sale of its 51.0 per cent interest in the Bahamas Telecommunications Company Ltd.

In interest rate developments, the weighted average loan rate firmed by 47 basis points to 11.05 per cent. Reflecting a tightening of credit conditions, amid banks' worsening credit quality indicators, the consumer lending rate firmed by 52 basis points to 13.21 per cent, and the average commercial mortgage rate advanced by 19 basis points to 8.79 per cent. Conversely, the average rate on residential mortgages softened by 10 basis points to 8.15 per cent and overdraft rates were reduced by 80 basis points on average, to 10.87 per cent. On the deposit side, the weighted average rate declined by 35 basis points to 3.44 per cent; the average savings deposit rate narrowed by 21 basis points to 1.94 per cent, while the range for fixed deposits fluctuated between 3.19 per cent-4.04 per cent, down from 3.55 per cent-4.37 per cent in 2009.

CREDIT QUALITY

Banks' credit quality indicators worsened in 2010, as business and employment conditions remained moribund. Total private sector loan arrears expanded by $56.6 million (5.2 per cent) to $1,146.7 million, resulting in the ratio of arrears to total loans increasing by 4.1 percentage points to 18.3 per cent. In terms of the components, short-term delinquencies (31-90 days in arrears) fell by $17.8 million (3.5 per cent) to $495.9 million, with the corresponding ratio declining by 0.4 of a percentage point to 7.9 per cent. However, the non-performing component rose by $74.3 million (12.9 per cent) to $650.7 million, as the average age of loan delinquencies continued to lengthen. As a consequence, the ratio of non-performing loans to total loans firmed by 1.1 percentage points to 10.4 per cent.

The expansion in total arrears reflected gains in the mortgage and commercial segments by $86.4 million (16.3 per cent) and $19.7 million (8.3 per cent) to $617.9 million and $255.3 million, respectively. Conversely, consumer arrears fell by $49.5 million (15.3 per cent) to $273.5 million.

In this environment, banks increased their provisions by $47.5 million to $261.1 million, resulting in the key indicators, the ratio of provisions to arrears and non-performing loans improving by 3.1 percentage points and 2.9 percentage points to 22.7 per cent and 39.9 per cent, respectively.

Credit quality indicators improved somewhat during the first quarter of 2011, amid the ongoing stabilization in the domestic economy and loan write-offs, although remaining well above pre-crisis levels. Total private sector loan arrears fell by $7.0 million (0.6 per cent) to $1,139.6 million, with the corresponding ratio of arrears to total loans softening marginally by 2 basis points to 18.27 per cent. In the short-term 31-90 day arrears category, delinquencies were reduced by $23.2 million (4.7 per cent) to $472.7 million, with the relevant ratio declining by 33 basis points to 7.58 per cent of total loans. In contrast, the non-performing segment—arrears in excess of 90 days and on which banks ceased accruing interest—grew by $16.2 million (2.5 per cent) to $666.9 million, with a 31 basis point rise in the corresponding ratio to 10.69 per cent.

Banks raised their loan loss provisions marginally by $0.6 million to $273.2 million over the quarter. As a result, the ratio of provisions to total arrears increased by 0.2 of a percentage point to 23.98 per cent, while the ratio of provisions to non-performing loans declined by 0.9 of a percentage point to 40.97 per cent.

CAPITAL MARKETS

In 2010, capital market activity was highlighted by two significant block trades, which led to a more than two-fold hike in the volume of shares traded on the Bahamas International Securities Exchange (BISX) to 10.9 million, with the corresponding value expanding more than four-fold to $110.2 million. However, net of these extraordinary transactions, share volumes contracted by 21.9 per cent and the attendant value, by 15.9 per cent to $22.3 million. The benchmark BISX All Share Price Index declined by 4.2 per cent to 1,499.5, which was lower than the 8.6 per cent reduction in

2009, and market capitalization decreased by $0.13 billion (3.1 per cent) to $2.905 billion.

The total number of securities listed on the Exchange fell by one (1) to twenty-three (23), with eighteen (18) common share listings—as one was delisted—one preference share issue and four debt tranches.

NATIONAL DEBT[2]

In 2010, the Direct Charge of Government rose by $384.5 million (11.6 per cent) to $3,704.9 million, albeit below the $553.8 million (20.0 per cent) hike to $3,320.4 million in 2009. Bahamian dollar claims, which constituted 78.9 per cent of the total, grew by 11.7 per cent ($307.0 million) to $2,922.5 million.

Foreign currency debt rose by $77.5 million (11.0 per cent) to $782.5 million. The contingent liabilities of the Government contracted by 5.7 per cent ($32.9 million) to $548.1 million in 2010, in contrast to a 30.1 per cent expansion to $581.0

[2] Debt statistics have been updated following the publication of the Central Bank of The Bahamas' 2010 Annual Report.

million in the previous year. The outturn was due mainly to a reduction in the outstanding obligations of the Airport Authority, Bahamas Mortgage Corporation and the Bahamas Electricity Corporation.

Given these developments, the National Debt grew by 9.0 per cent ($351.7 million) to $4,253.1 million at end-December 2010, following a larger 21.4 per cent ($688.3 million) expansion in 2009. In comparison to the same period last year, debt servicing for 2010 was reduced by $385.5 million to $232.8 million, as amortization payments narrowed to $168.2 million, while interest payments advanced by 56.3 per cent ($23.3 million) to $64.6 million.

For 2010, total public sector foreign currency debt expanded by 18.0 per cent ($205.2 million) to $1,344.7 million, significantly below the 32.5 per cent growth in 2009. New drawings were reduced by 56.4 per cent ($483.3 million) to $373.4 million and amortization payments contracted by 70.8 per cent

($408.8 million) to $168.2 million. Government's liabilities at $782.5 million, constituted 58.2 per cent of the total, and public corporations' obligations firmed by $127.7 million (29.4 per cent) to $562.3 million.

FINANCIAL SECTOR DEVELOPMENTS

During 2010, trends in the international financial sector remained relatively stable. The number of banks and trust companies licensed to operate in The Bahamas rose by 4 to 276, with 249 of these licensees operating through physical presence, compared to 241 a year ago. Additionally, twenty-seven (27) licensees, being branch operations of firms from predominantly G-10 countries, maintained approved restrictive management arrangements, down from thirty (30) in 2009.

In other licensing activity, the Bank also granted approval for the registration of ten (10) Private Trust Companies (PTCs) and removed two (2) PTCs from its register, extending the total to 58. The number of Financial and Corporate Service

Providers that act as Registered Representatives steadied at three (3), while one additional licensee advised the Bank of its intention to act as a Registered Representatives of PTCs, bringing the number to twelve (12). The number of licensed non-bank Money Transmission Businesses (MTBs) increased by one (1) to three (3).

In the area of the Central Bank's supervision of the financial sector, 2010 saw the initial implementation of a comprehensive risk assessment framework for the supervision of banks and trust companies as well as the continued development of the Bank's stress testing model—all measures taken to enhance the resiliency and stability of the financial services sector.

In ongoing efforts to ensure the appropriateness of the legislative framework governing its activities, major changes included the Central Bank of The Bahamas (Amendment) Act, 2010, in September, which essentially expanded the Bank's mandate to, *inter alia*, ensure financial stability and overseeing the development of a sound and efficient national payment and securities settlement systems. Specifically, a new section 25 was added, which authorizes the Bank to regulate and oversee payment and securities settlement systems, electronic money and other payment instruments—thereby strengthening previous provisions covering these areas.

Amendments were also made to the Banks and Trust Companies Act, 2010, which allow the Bank to make the following provisions:

- Firms are no longer required to obtain the prior approval of the Bank for the appointment of external auditors, but have to provide a subsequent notice of the appointment of an external auditor. However, the Bank retains the right to require the removal of an auditor of the licensee. The provision requires auditors and former auditors of firms to provide the Inspector with written notice of specified matters, including any fact or matter of which the auditor or former auditor has/had become aware in the ordinary course of an audit and which is of material significance to the discharge of the Inspector's functions under the Act; and the auditor's intention to resign before expiration of his term as auditor or not to seek reappointment as auditor;

- The Bank has the discretion to specify the form and manner financial statements should be published; firms will no longer be required to publish their financial statements in the Gazette;
- Expansion of the Bank's sanctioning and enforcement powers to empower the Bank to appoint a receiver-manager of a licensee, where it is desirable for the licensee to be operated by the receiver-manager as a going concern and also authorize the Bank to appoint a temporary manager of any licensee which, in the Bank's opinion, is *inter alia*, carrying on business in a manner detrimental to the public interest;
- The distinction between the surrender of a licence and the revocation of a licence. This amendment allows firms to

surrender their licences provided that the specified pre-conditions are met; and

- The time for commencing prosecutions for summary offences committed under the Act was extended from the current maximum of six months from the commission of the offence (as provided under the Criminal Procedure Code) to the later of either twelve months from the date of the commission of the offence or within three months of the date on which the Attorney General forms the view that there is sufficient evidence to justify the prosecution of the offence under the Act.

During the year, the Bank also advanced a series of draft legislative and regulatory initiatives relative to strengthening the oversight of payments systems and instruments, namely:

- Payment Systems Bill, 2011
- Payment Systems (Oversight) Regulations, 2011

- Payment Systems (National Payments Committee) Byelaws, 2011
- Companies (Amendment) Bill, 2011
- Bills of Exchange (Amendment) Bill, 2011
- Bankruptcy (Amendment) Bill, 2011

Further to these developments, the Bank, under the auspices of the Caribbean Regional Technical Assistance Centre (CARTAC) was integrated into the International Finance Corporation's (IFC) regional initiative to provide technical assistance for the establishment of a credit bureau. The IFC committed to provide advice to the Bank on the framework for the effective operation and supervision of a credit bureau in The Bahamas, which meets international standards and commenced the first phase of the project by conducting a market assessment. This comprised a review of the legal and regulatory framework and the business environment in The Bahamas, in respect to the operation of the credit market. The credit bureau project for The Bahamas is expected to be completed over the next 18 to 24 months.

ECONOMIC OUTLOOK FOR 2011

The recovery in the domestic economy is expected to gain further momentum in 2011, amid the ongoing strengthening in the developed markets, particularly the key United States economy. Consequently, tourism activity is anticipated to improve further, supported by growth in the high value-added stopover segment. Increased support is anticipated from construction activity, supported by the commencement of several varied-scaled foreign investment-led projects, and with a positive impact on employment in this sector. However, more broad based gains in employment are not expected in the near term until the recovery in economic activity broadens. The recent firming in oil prices remains a downside risk to the outlook, and could lead to a modest increase in domestic inflation.

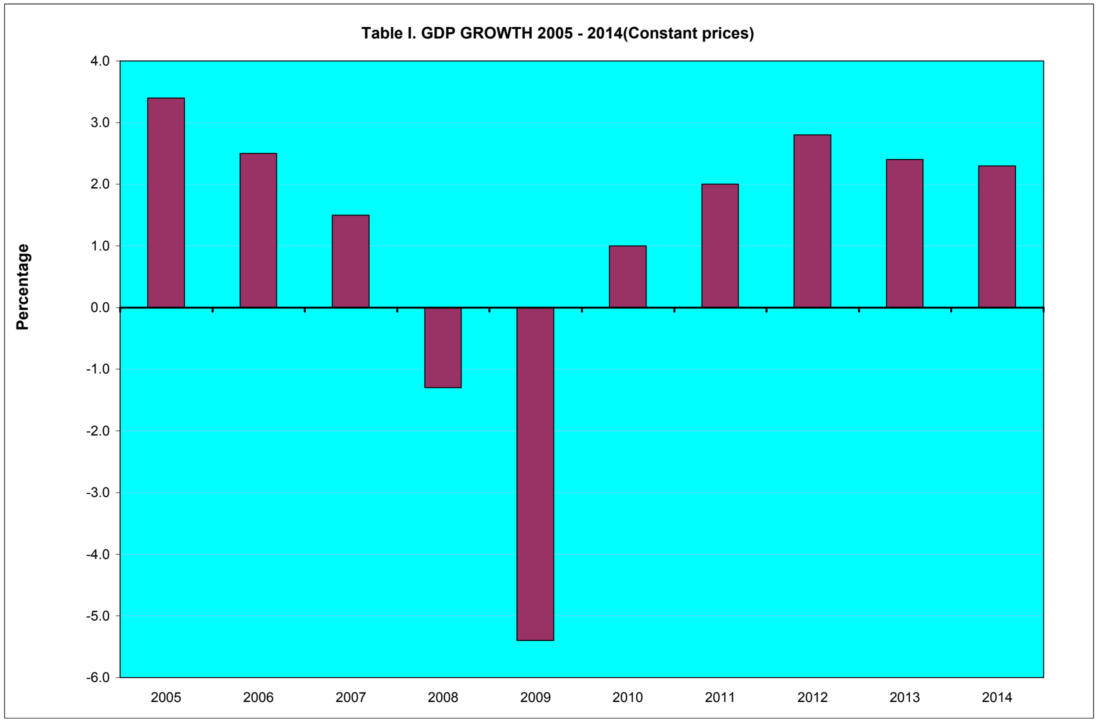
On the monetary front, both liquidity and external reserves are anticipated to remain buoyant over the year, supported by foreign currency receipts from real sector activities, foreign-investment inflows, significant one-time transactions as well as continued softness in consumer demand.

ANNEX B

TABLES and GRAPHS

Table I. The Bahamian Economy 2005 - 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
GDP	7706	7966	8319	8240	7807	7702	8010	8355	8722	9106
Growth-Current Prices(%)	8.6	3.4	4.4	-1.0	-5.3	-1.4	4.0	4.3	4.4	4.4
Growth-Constant Prices(%)	3.4	2.5	1.5	-1.3	-5.4	1.0	2.0	2.8	2.4	2.3
Consumer Prices (%)	2.2	1.8	2.5	4.5	2.1	1.7	2.0	1.4	2.0	2.0



Source: IMF Projections 2011-2014, World Economic Outlook, April 2011, adjusted by the Ministry of Finance to account for new investment activity.
Department of Statistics 2005-2010

Table II. - Budget Performance
B$ millions

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Budget 2010/11	Projected Outturn 2010/11	Budget 2011/12
1. Recurrent Expenditure	930	986	1035	1091	1151	1203	1415	1421	1499	1554	1554	1644	1680
2. Recurrent Revenue	973	875	918	960	1054	1211	1354	1445	1331	1295	1492	1460	1514
3. Recurrent Deficit (2 minus 1)	43	-111	-117	-131	-97	8	-61	24	-168	-259	-62	-184	-166
(Deficit - Surplus +)													
4. Capital Expenditure	133	138	127	116	162	190	235	231	262	255	265	232	280
5. Capital Revenue	1	0	0	0	0	3	7	10	0	0	25	210	132
6. Capital Deficit (5 minus 4)	-132	-138	-127	-116	-162	-187	-228	-221	-262	-255	-240	-22	-148
7. TOTAL DEFICIT (3 plus 6)	-89	-249	-244	-247	-259	-179	-289	-197	-430	-514	-302	-206	-314
8. Debt Redemption	75	85	60	85	97	38	106	62	67	89	75	76	66
9. GFS Deficit (7 minus 8)	-14	-164	-184	-162	-162	-141	-183	-135	-363	-425	-227	-130	-248
10. GDP (current prices) revised	6423	6738	6954	7022	7400	7836	8143	8280	8024	7755	7593	7856	8182
11. GFS Deficit as % of GDP	**-0.2**	**-2.4**	**-2.6**	**-2.3**	**-2.2**	**-1.8**	**-2.2**	**-1.6**	**-4.5**	**-5.5**	**-3.0**	**-1.7**	**-3.0**

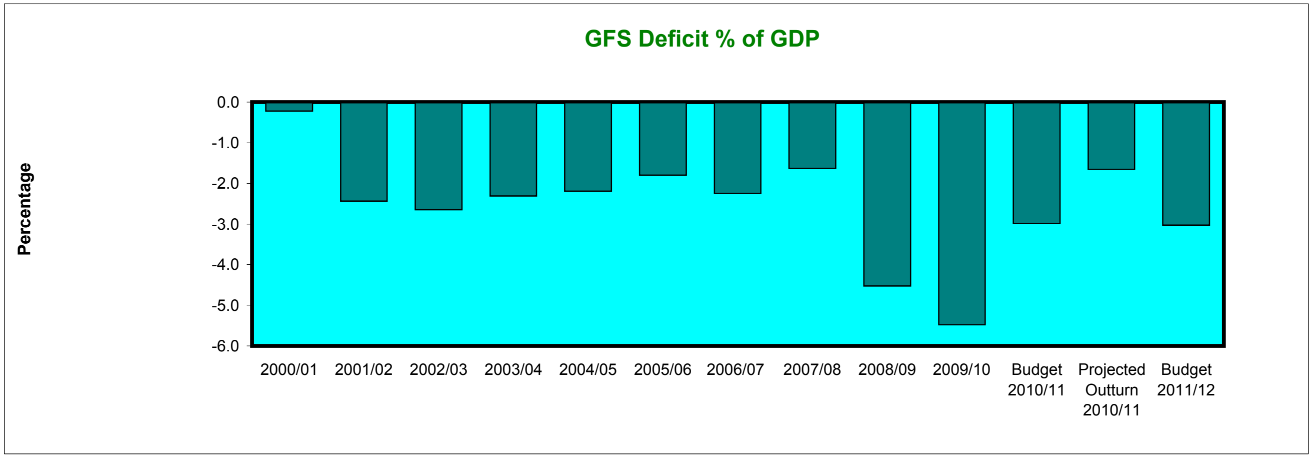
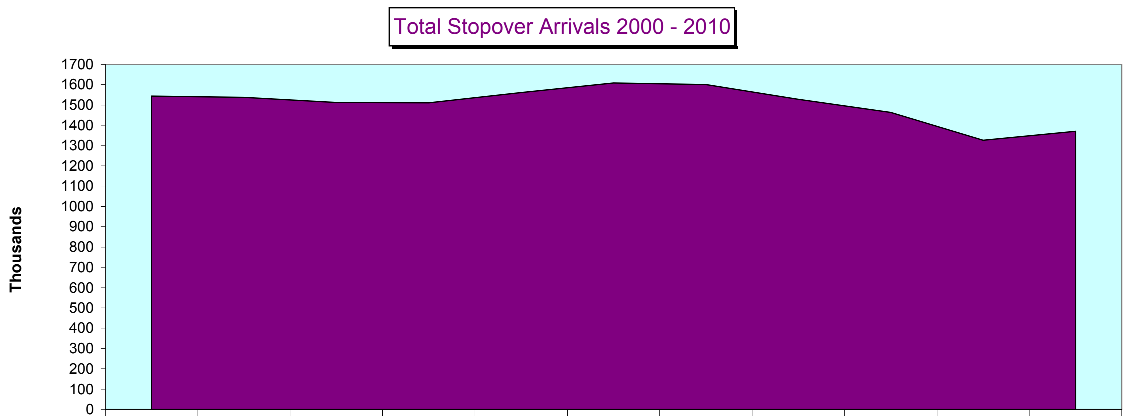


Table III. Tourist Expenditure and Arrivals 2000 - 2010

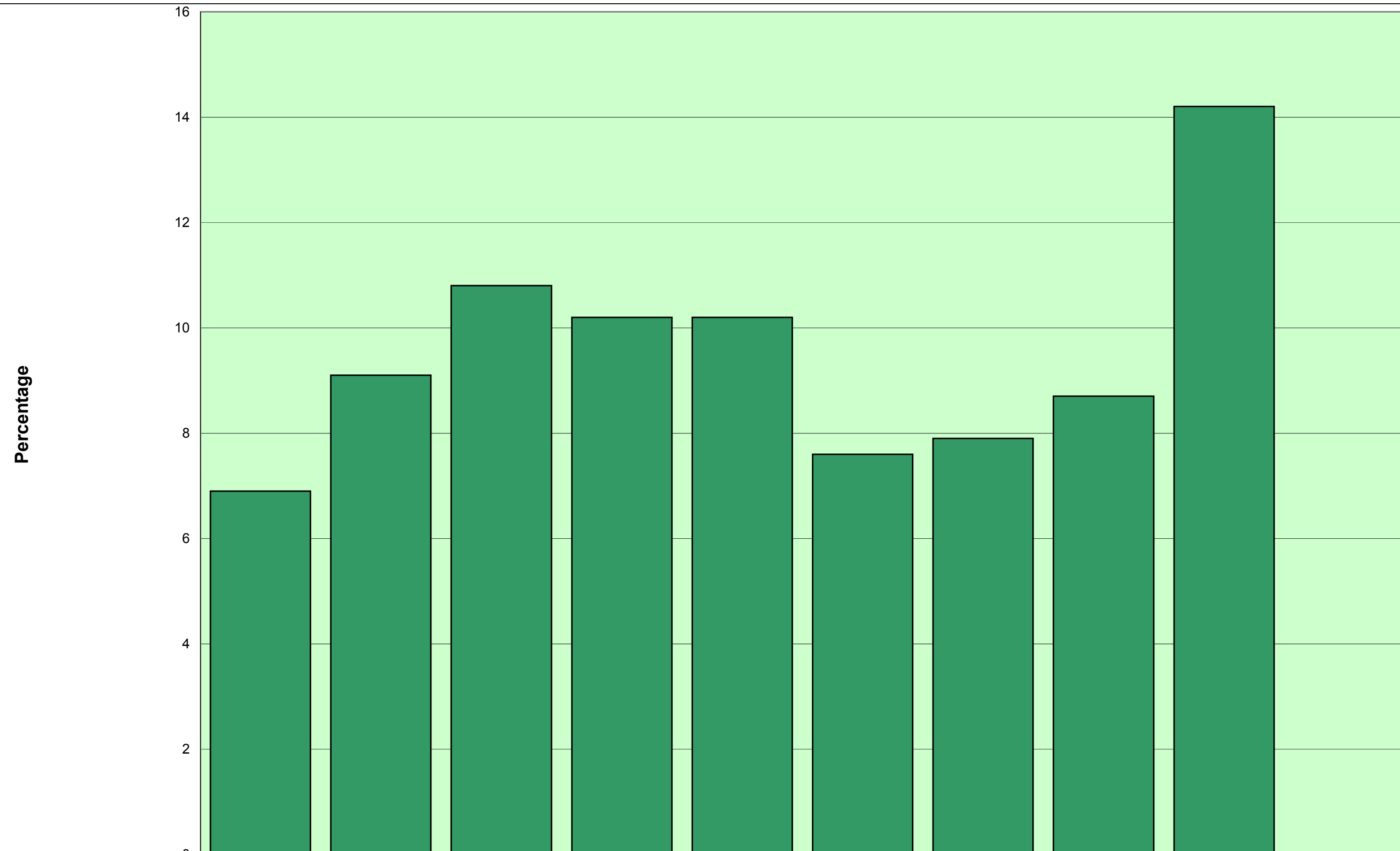
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Stopovers	1579.7	1494.8	1602.5	1595.3	1693.5	1883.9	1881.2	2020.8	2152.4	1824.6	N/A
Total	1734.4	1647.7	1759.8	1757.4	1884.5	2068.8	2057.3	2191.7	2321.34	2027.0	2069



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Stopovers	1543.9	1537.8	1513.1	1510.2	1561.3	1608.1	1600.9	1527.7	1463.0	1327.0	1369.9

*Source: Ministry of Tourism
All numbers are subject to revision.

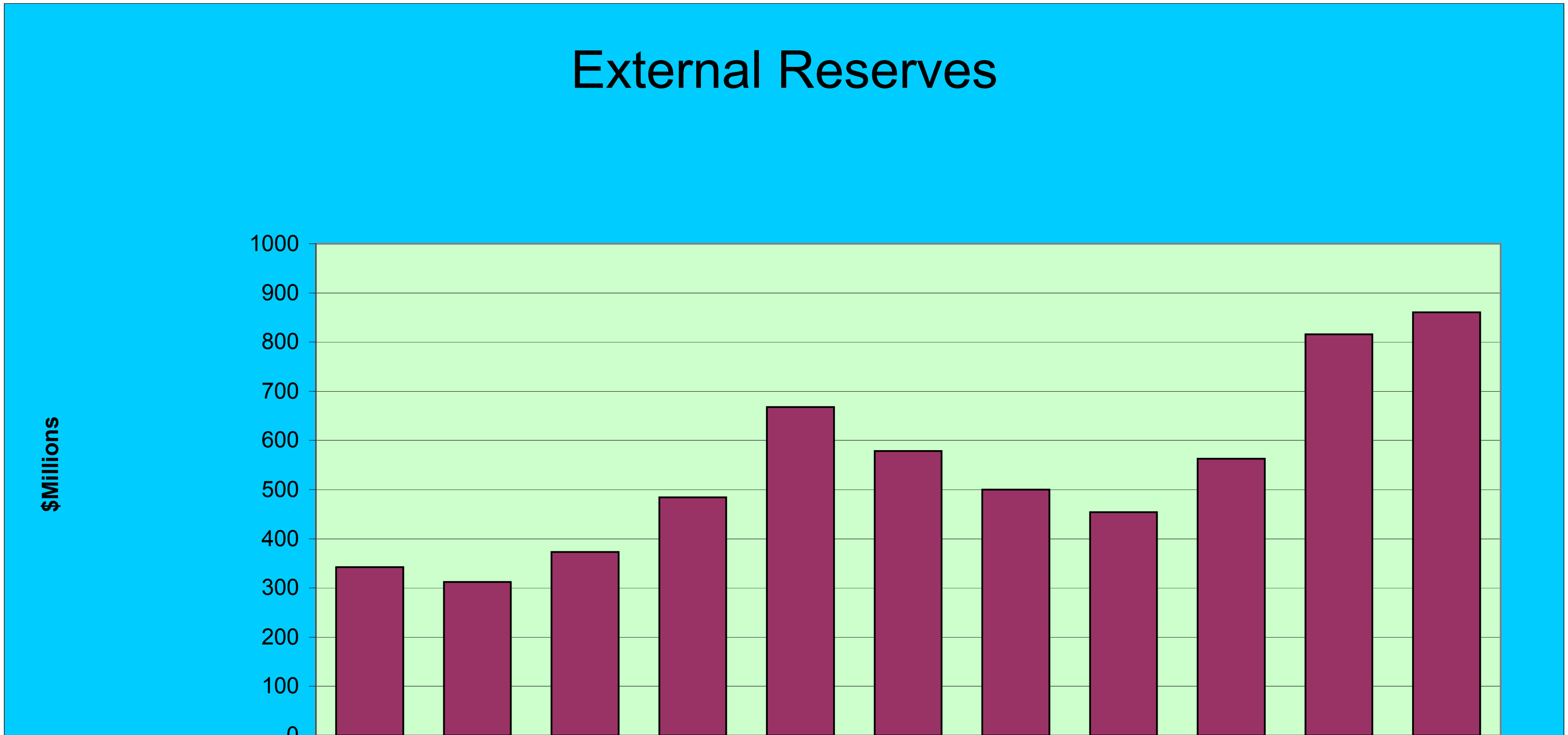
Table IV. Unemployment Rates 2001-2010



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Unemployment rate	6.9	9.1	10.8	10.2	10.2	7.6	7.9	8.7	14.2	N/A

Source: Department of Statistics
* Unemployment estimates are not available in Census years.

Table V. Total External Reserves 2000 - 2010



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
External Reserves	342.5	312.3	373.2	484.3	667.8	578.8	499.8	454.2	563.1	815.9	860.4

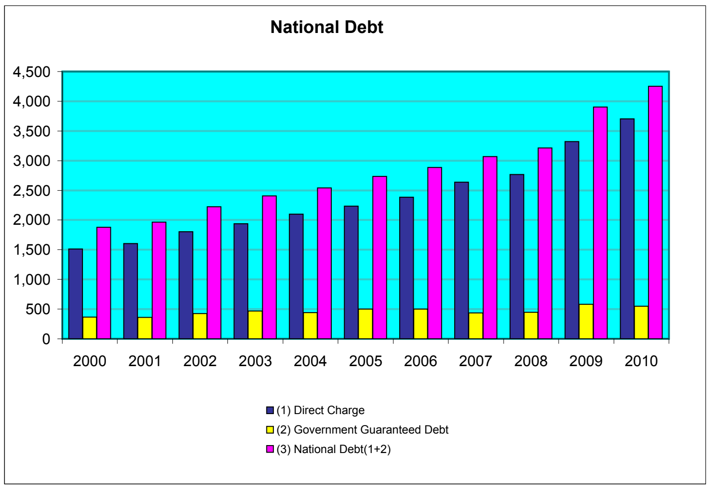
Source: Central Bank of The Bahamas

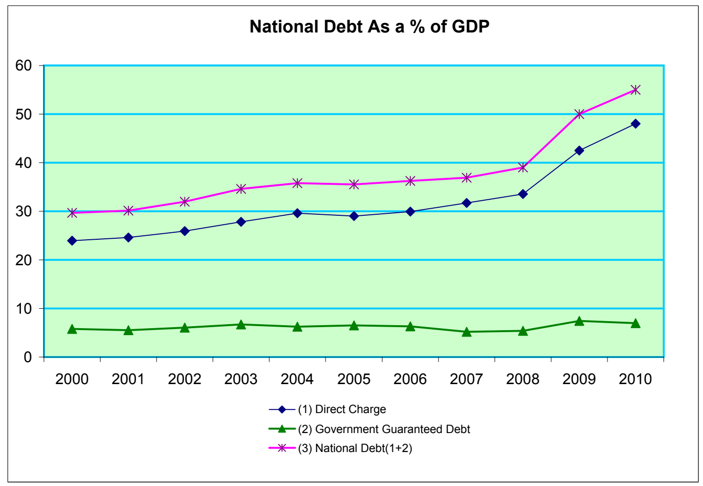
Table VI. National Debt 2000 - 2010

$ millions	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Direct Charge	1,514	1,604	1,802	1,936	2,098	2,235	2,386	2,636	2,767	3320	3705
(2) Government Guaranteed Debt	365	359	423	468	442	502	501	434	446	581	548
(3) National Debt(1+2)	**1,879**	**1,963**	**2,225**	**2,404**	**2,540**	**2,737**	**2,887**	**3,070**	**3,213**	**3901**	**4253**
GDP($millions) Revised	6328	6517	6958	6949	7094	7706	7966	8319	8240	7807	7702

National Debt as a % of GDP

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
(1) Direct Charge	24	25	26	28	30	29	30	32	34	43	48
(2) Government Guaranteed Debt	6	6	6	7	6	7	6	5	5	7	7
(3) National Debt(1+2)	**30**	**30**	**32**	**35**	**36**	**36**	**36**	**37**	**39**	**50**	**55**





Source: Central Bank of The Bahamas Quarterly Statistical Digest February 2011

Table VII (a). Growth of the Bahamian and US Economy 2000 - 2012

Annual percent change in GDP in real terms

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
The Bahamas	4.2	2.6	2.7	-1.3	0.9	3.4	2.5	1.5	-1.3	-5.4	1.0	2.0	2.8
United States	4.1	1.1	1.8	2.5	3.6	3.1	2.7	1.9	0.0	-2.6	2.8	2.8	2.9

Source: Department of Statistics, 2000- 2010; IMF World Economic Outlook April 2011 for 2011 and 2012, adjusted for new investment activity in The Bahamas

TABLE VII (B)

GROWTH OF REAL GDP

	% 2007	% 2008	% 2009	% 2010	% 2011	% 2012
World	5.4	2.9	-0.5	5.0	4.4	4.5
US	1.9	0.0	-2.6	2.8	2.8	2.9
Canada	2.2	0.5	-2.5	3.1	2.8	2.6
France	2.3	0.1	-2.5	1.5	1.6	1.8
Germany	2.8	0.7	-4.7	3.5	2.5	2.1
United Kingdom	2.7	-0.1	-4.9	1.3	1.7	2.3
Barbados	3.8	-0.2	-4.7	-0.5	2.0	2.5
Guyana	7.0	2.0	3.3	3.6	4.7	5.9
Jamaica	1.4	-0.9	-3.0	-1.1	1.6	2.4
Trinidad & Tobago	4.8	2.4	-3.5	0.0	2.2	2.4
The Bahamas	1.5	-1.3	-5.4	1.0	2.0	2.8

Source: International Monetary Fund
April 2011 World Economic Outlook
For The Bahamas: Department of Statistics for 2007-2010; Ministry of Finance for 2011 and 2012

Notes on Multi-annual Projections

1. As stated in previous Budget Communications, the purpose of these multi-annual Projections is to provide a 'snap-shot' of the evolution of the public finances over the next 3 years. They are based on a set of key assumptions, namely:

- The economy grows broadly in line with the most recent projections of the IMF;
- Firm control is maintained over expenditure growth as a core component of the Government's fiscal strategy; and
- Vigilance is maintained in continuously enhancing revenue collections and improving compliance.

2. Within the context of the equitable and efficient distribution of Government expenditure and an acceptable revenue system, the Government of The Bahamas targets the following three key closely related ratios or indicators:

• The "GFS Deficit" (basically the difference between total government expenditure, excluding debt redemption, and total revenue, excluding borrowing), expressed as a percentage of GDP; this ratio is an approximation of the addition which the Budget makes to the level of Government Debt. Over the medium-term, Government policy is to reduce this Deficit by maximizing revenue collections and compliance and restraining the growth of Government expenditure.

• Closely connected to the preceding is the level of Government Debt. In the current economic and fiscal environment, the focus is to contain the debt-to-GDP ratio immediately and, over the medium term, reduce it to 40 per cent.

• The ratio of Government Revenue to GDP; the level of 20% is deemed the minimum level necessary to finance Government services while also reducing the GFS Deficit.

3. The targeting of these ratios or indicators has the support of the major international institutions such as the International Monetary Fund and is recognized domestically and internationally as the commitment of The Bahamas to prudent macroeconomic policy.

4. The projections assume real GDP growth of 2.0% in 2011, followed by 2.8% in 2012, 2.4% in 2013 and 2.3 per cent in 2014[1]. The projections also assume that, on the basis of the measures in this Budget Communication as well as ongoing efforts to enhance revenue collections and compliance, Recurrent Revenue as a percent of GDP will come in at 18.5% in 2011/12, roughly the same level as in 2010/11. Thereafter, the ratio is assumed to rise to reach 19.5% in 2013/14. Recurrent Expenditure is projected to decline slightly to 20.5% of GDP in 2011/12 and to fall further to 20.0% of GDP in 2013/14.

Ministry of Finance
May, 2011

[1] IMF World Economic Outlook April 2011, with Ministry of Finance adjustments in 2011 and 2012.

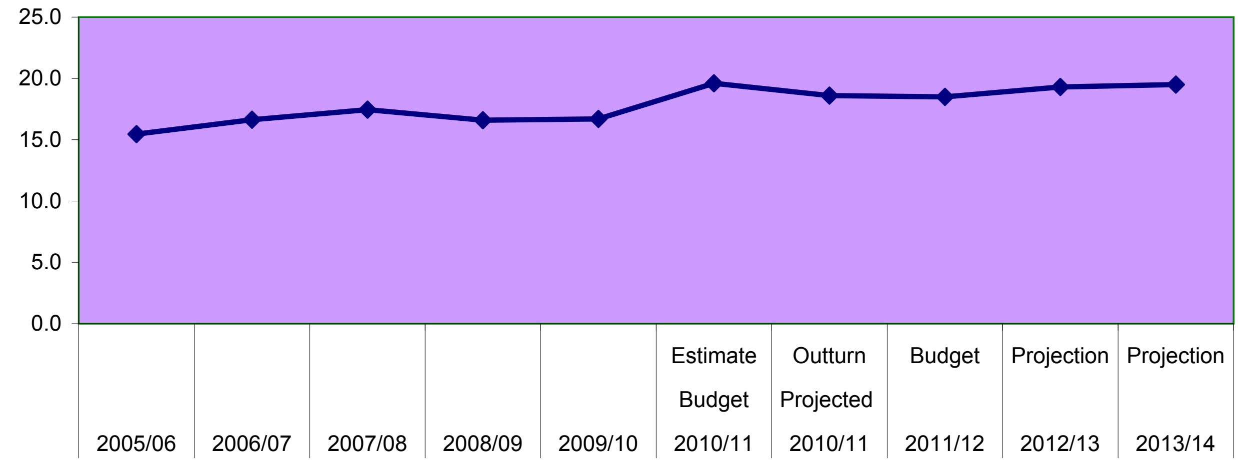
TABLE VIII

2011/12 BUDGET - MULTI-ANNUAL PROJECTIONS
B$ millions

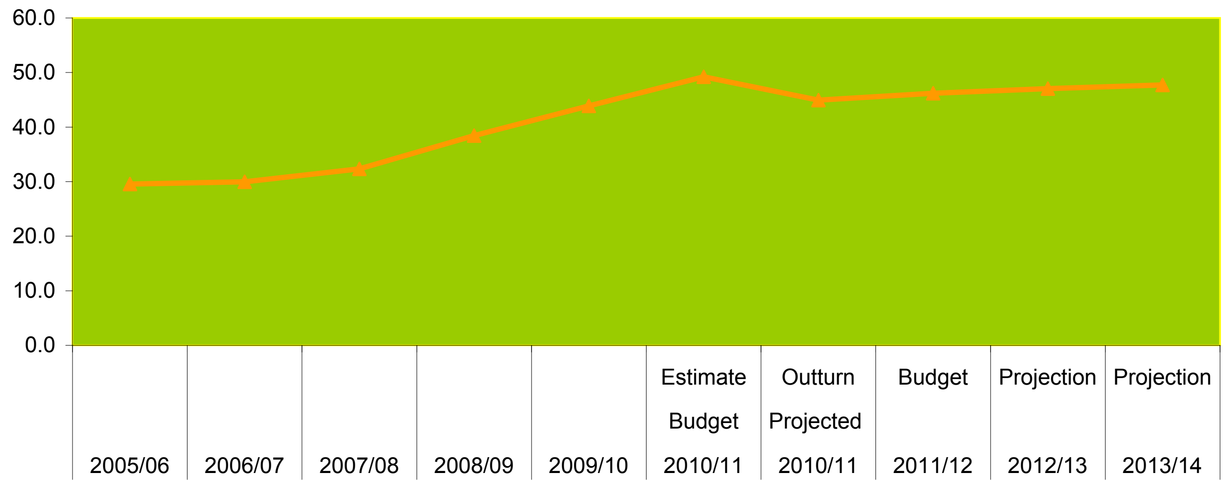
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11 Budget Estimate	2010/11 Projected Outturn	2011/12 Budget	2012/13 Projection	2013/14 Projection
1. Recurrent Expenditure	1203	1415	1421	1499	1554	1554	1644	1680	1754	1786
2. Recurrent Revenue	1211	1354	1445	1331	1295	1492	1460	1514	1648	1738
3. Recurrent Deficit (2. minus 1.)	8	-61	24	-168	-259	-62	-184	-166	-106	-48
4. Capital Expenditure	190	235	231	262	255	265	232	280	256	267
5. Capital Revenue	3	7	10	0	0	25	210	132	0	0
6. Capital Deficit (5. minus 4.)	-187	-228	-221	-262	-255	-240	-22	-148	-256	-267
7. TOTAL DEFICIT (3. plus 6.)	-179	-289	-197	-430	89	-302	-206	-314	-362	-315
8. Debt Redemption	38	106	62	67	67	75	76	66	125	78
9. GFS Deficit (7. minus 8.)	-141	-183	-135	-363	-425	-227	-130	-248	-237	-237
10. GDP (Current Prices)	7836	8143	8280	8024	7755	7593	7856	8182	8538	8914
11. GFS Deficit as % of GDP	-1.8	-2.2	-1.6	-4.5	-5.5	-3.0	-1.7	-3.0	-2.8	-2.7
Memo items:-										
Growth Rate (current prices)	*5.9*	*3.9*	*1.7*	*-3.1*	*-3.4*	*2.3**	*1.3*	*4.1*	*4.4*	*4.4*
Government Debt (end June)	*2316*	*2441*	*2679*	*3085*	*3401*	*3737*	*3531*	*3779*	*4016*	*4253*
Government Debt as % of GDP	*29.6*	*30.0*	*32.4*	*38.4*	*43.9*	*49.2*	*44.9*	*46.2*	*47.0*	*47.7*
Recurrent Expenditure as % of GDP	15.4	17.4	17.2	18.7	20.0	20.5	20.9	20.5	20.5	20.0
Recurrent Revenue as % of GDP	*15.5*	*16.6*	*17.5*	*16.6*	*16.7*	*19.6*	*18.6*	*18.5*	*19.3*	*19.5*
Capital Expenditure as % of GDP	*2.4*	*2.9*	*2.8*	*3.3*	*3.3*	*3.5*	*3.0*	*3.4*	*3.0*	*3.0*

**Based on original GDP estimates.*

Recurrent Revenue as % of GDP



Government Debt as % of GDP



GFS Deficit as % of GDP

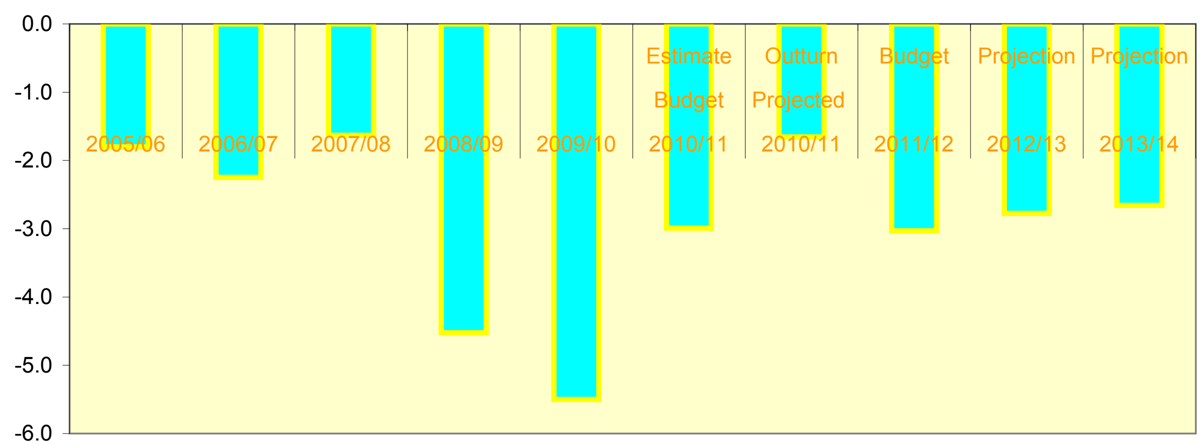


Table IX: EXPENDITURES ON THE GROSS DOMESTIC PRODUCT
at Current Market Prices

B$ millions

Line	Item	2002R	2003R	2004R	2005R	2006R	2007R	2008R	2009R	2010 PI
1	Government final consumption	770.39	785.00	826.28	873.20	947.62	976.05	1,071.74	1,151.51	1,143.75
1.1	Collective Consumption Expenditure	480.62	488.70	529.48	546.22	589.65	607.34	636.72	680.42	664.67
1.2	Individual Consumption Expenditure	289.76	296.30	296.81	326.98	357.97	368.71	435.02	471.09	479.08
2	Private final consumption expenditure	4,399.91	4,483.85	4,623.14	5,102.95	5,461.37	5,600.22	5,792.54	5,414.08	5,595.11
3	Gross capital formation	1,525.41	1,538.10	1,503.22	1,948.10	2,416.19	2,343.88	2,023.69	1,844.83	1,672.28
3.1	Change in stocks	83.61	78.36	76.40	84.18	85.55	86.20	88.37	91.70	93.69
3.2	Gross fixed capital formation	1,441.81	1,459.74	1,426.82	1,863.91	2,330.64	2,257.68	1,935.32	1,753.13	1,578.58
3.2.1	Residential construction	204.94	245.94	221.81	276.52	302.66	291.80	267.94	238.62	192.91
	Non-Residential construction	237.65	184.50	181.22	214.38	403.94	366.31	229.53	186.32	150.21
	Capital-Work-In-Progress	118.09	143.11	109.91	193.87	230.34	127.83	168.73	169.46	162.24
3.2.2	Other construction	184.13	157.79	195.49	191.48	268.34	282.19	244.17	241.45	231.16
3.2.3	Machinery & Transport Equipment	696.99	728.40	718.39	987.67	1,125.35	1,189.54	1,024.96	917.29	842.06
4	Exports of goods and services	2,934.46	2,901.23	3,160.70	3,482.13	3,557.56	388.24	3,803.92	3,124.40	3,236.33
5	Less: Imports of goods and services	2,672.17	2,758.87	3,018.93	3,700.16	4,417.16	4,489.39	4,451.75	3,728.06	3,945.90
6	Equals: EXPENDITURE ON GROSS DOMESTIC PRODUCT	6,958.00	6,949.32	7,094.41	7,706.22	7,965.59	8,319.00	8,240.15	7,806.75	7,701.57
7	GDP CURRENT GROWTH RATE	6.77%	-0.12%	2.09%	8.62%	3.37%	4.44%	-0.95%	-5.26%	-1.35%

F: Final
R: Revised
Pv: Provisional
PI: Preliminary

Source: National Accounts Report 2011, Department of Statistics

Table X - Ratio of Recurrent Revenue to GDP
B$ millions

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Projected Outturn 2010/11	2011/12 Budget
Recurrent Revenue	973	875	918	960	1054	1211	1354	1445	1331	1295	1460	1514
GDP (current prices) revised	6423	6738	6954	7022	7400	7836	8143	8280	8024	7755	7856	8182
Recurrent Revenue % of GDP	**15.1**	**13.0**	**13.2**	**13.7**	**14.2**	**15.5**	**16.6**	**17.5**	**16.6**	**16.7**	**18.6**	**18.5**

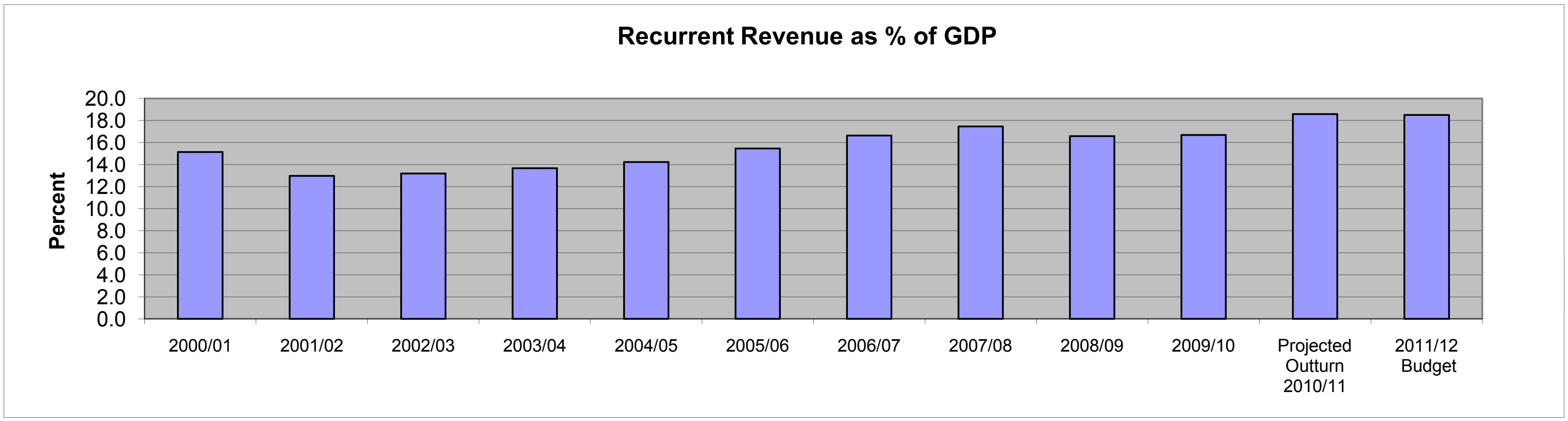


Table XI - Ratio of Foreign Direct Investment to GDP 2000 - 2010

B$ millions

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Foreign Direct Investment	301	234	238	292	532	641	843	887	1,032	753	959
GDP(Current Prices)	6,328	6,517	6,958	6,949	7,094	7,706	7,966	8,319	8,240	7,807	7,702
FDI as % of GDP	4.8%	3.6%	3.4%	4.2%	7.5%	8.3%	10.6%	10.7%	12.5%	9.6%	12.5%

* Includes inflows of US$ 200 miillion for an international bank's capitalisation of its domestic bank

Source: The Central Bank of The Bahamas, QSD February 2011 for 2000-2009
The Central Bank of The Bahamas Estimates for 2010

Table XII

KEY LABOUR FORCE STATISTICS
1995-1999, 2001-2009 (2000 was Census Year)

ITEM	1995	1996	1997	1998	1999	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Labour Force														
All Bahamas	143,030	146,635	149,915	156,470	157,640	164,675	167,980	173,795	176,330	178,705	180,255	186,105	191,595	184,020
New Providence	98,900	102,965	104,315	111,370	113,240	117,900	119,700	123,380	125,385	128,630	127,090	131,105	135,735	131,245
Grand Bahama	21,500	20,945	22,495	22,200	23,900	25,055	25,190	26,350	26,465	27,305	27,445	28,850	29,820	28,235
Employed Labour Force														
All Bahamas	127,440	129,765	135,255	144,355	145,350	153,310	152,690	154,965	158,340	160,530	166,505	171,490	174,920	157,805
New Providence	88,200	90,665	93,465	103,270	104,440	109,770	108,255	108,685	111,725	114,660	118,575	120,675	123,960	112,880
Grand Bahama	19,300	18,730	20,535	20,090	21,625	23,345	23,580	24,050	24,000	24,305	25,155	26,310	27,125	23,310
Unemployed Labour Force														
All Bahamas	15,590	16,870	14,660	12,115	12,290	11,365	15,290	18,830	17,990	18,175	13,750	14,615	16,675	26,215
New Providence	10,700	12,300	10,850	8,100	8,800	8,130	11,445	14,695	13,660	13,970	8,515	10,430	11,775	18,365
Grand Bahama	2,200	2,215	1,960	2,110	2,275	1,710	1,610	2,300	2,465	3,000	2,290	2,540	2,695	4,925
Labour Force Participation Rate														
All Bahamas	73.9%	73.7%	74.9%	77.3%	76.8%	76.2%	76.4%	76.5%	75.7%	76.3%	76.1%	76.2%	76.3%	73.4%
New Providence	74.6%	76.1%	75.5%	78.3%	77.7%	78.1%	77.6%	78.0%	77.5%	77.5%	79.7%	77.1%	77.3%	74.0%
Grand Bahama	76.3%	72.8%	74.9%	73.0%	75.3%	75.2%	74.4%	76.0%	74.7%	74.7%	74.6%	76.8%	76.9%	74.2%
Unemployment Rate														
All Bahamas	10.9%	11.5%	9.8%	7.8%	7.8%	6.9%	9.1%	10.8%	10.2%	10.2%	7.6%	7.9%	8.7%	14.2%
New Providence	10.8%	11.9%	10.4%	7.3%	7.8%	6.9%	9.6%	11.9%	10.9%	10.9%	6.7%	8.0%	8.7%	14.0%
Grand Bahama	10.2%	10.6%	8.7%	9.6%	9.5%	6.8%	6.4%	8.7%	9.3%	11.0%	8.3%	8.8%	9.0%	17.4%

Source: Department of Statistics